

Policy Title: Canada Public Sector Accounting Standards (PSAS) 3260 Liability for Contaminated Sites

Report Number: ALT2016-0540

Adopted by: Administrative Leadership Team

Effective Date: August 30, 2016

Last Amended: N/A

Policy Owner(s): Chief Financial Officer's Department, Finance

1. POLICY PURPOSE

1.1. The purpose of this policy is to establish a governance framework for the management, financial accounting and reporting of liabilities associated with Contaminated Sites in accordance with PSAS 3260: *Liability for Contaminated Sites*.

2. POLICY STATEMENT

- 2.1. The City will review, recognize, account for and report a Reported Liability for Qualifying Contaminated Sites as at the financial reporting date for each calendar year.
- 2.2. The City must report a Reported Liability for a Qualifying Contaminated Site, all in accordance with PSAS 3260, including:
- a. Non-Productive Sites;
 - b. Productive Sites where there is an unexpected event resulting in Contamination; and
 - c. Contaminated Sites where The City has an immediate legal obligation to undertake Remediation pursuant to Applicable Law.

3. DEFINITIONS

3.1. *In this administration policy:*

- a. **“Applicable Law”** means all statutes, regulations and bylaws, together with any subordinate permits, licenses, approvals, authorizations, consents, directives, orders, policies, guidelines, standards, rules, interpretations and other requirements of any federal, provincial, municipal or other governmental or quasi-governmental body, agency, commission, court, tribunal or authority having jurisdiction and lawfully empowered to make, issue, impose or enforce laws with respect to Contamination or Contaminated Sites;

- b. **“Asset Retirement Obligation”** means liabilities associated with the retirement of long-lived Tangible Capital Assets (TCA) that are in Productive Use;
- c. **“Contaminated Site”** means a titled parcel of land owned by The City where substances occur in concentrations exceeding the maximum acceptable amounts under an Environmental Standard are present in, on or under the site;
- d. **“Contamination”** means the presence of a “substance”, as defined in Applicable Law, in land or water that exceeds an Environmental Standard, but does not include airborne substances in the atmosphere that have not been introduced into land or water;
- e. **“Consolidated Related Entities”** means organizations accountable for the administration of their financial affairs and resources to The City who are controlled by The City and consolidated in The City’s annual financial statements, excluding ENMAX Corporation which is accounted for using the modified equity method;
- f. **“Contaminated Sites Inventory”** means the list of Contaminated Sites that are managed by Environmental & Safety Management;
- g. **“Environmental Standard”** means any regulatory requirement under Applicable Law which prohibits Contamination or establishes a qualitative or quantitative limit on the presence of Contamination;
- h. **“Financial Reporting Date”** means December 31 of each calendar year;
- i. **“Future Economic Benefit”** means The City expects to incur costs related to remediation activities in the future;
- j. **“Legal Liability”** means a legally enforceable liability of The City for the Contaminated Site as a matter of:
 - i. Applicable Law;
 - ii. A contract or other agreement in writing;
 - iii. Common law principles; or
 - iv. Actions evidencing a clear and unequivocal intention by The City to assume responsibility for the Contamination;
- k. **“Non-Productive Site”** means the Contaminated Site is not in Productive Use;
- l. **“Productive Site”** means the Contaminated Site is in Productive Use;
- m. **“Productive Use”** means the land use or current operations of the Contaminated Site are consistent with the use or uses that resulted in the Contamination present in, on or under the site;

- n. **“Qualifying Contaminated Site”** means any Contaminated Site with Contamination that exceeds an Environmental Standard for which The City is directly responsible or has accepted responsibility, where future economic benefits are expected to be given up, and where a reasonable estimate can be made of the amount for which The City must report a Reported Liability;
- o. **“Remediation”** means the improvement of a Contaminated Site to prevent, minimize or mitigate damage to human health or the environment. Remediation involves the development and application of a planned approach that removes, destroys, contains, or otherwise reduces the risk to acceptable levels. A remediation program may include actions to investigate, assess, monitor, risk manage or remediate a Contaminated Site;
- p. **“Remediation Costs”** means all costs directly attributable to the remediation of a Contaminated Site to the applicable Environmental Standard to bring the site up to the current minimum standard for its use prior to Contamination. Costs would include post-remediation operation, maintenance and monitoring that are an integral part of the remediation strategy for a Contaminated Site;
- q. **“Reported Liability”** means the estimated Remediation Costs for a Qualifying Contaminated Site to be accounted for and reported pursuant to PSAS 3260; and
- r. **“Tangible Capital Asset”** means any asset that has physical substance, is controlled by The City and that meets all the following criteria:
 - i. Provides future service potential to The City;
 - ii. Has a useful life longer than one year;
 - iii. Is intended for use on a continuous basis and not in long-term storage; and
 - iv. Is not held for sale in the ordinary course of operations or considered inventory.

Software and Information Technology systems are also considered Tangible Capital Assets. Any assets under capital lease from a third party that meet the criteria outlined above are Tangible Capital Assets.

4. APPLICABILITY

4.1. This policy applies to all business units and Consolidated Related Entities;

4.2. Exceptions

4.2.1. This policy does not apply to:

- a. Productive Sites where normal use has resulted in Contamination;

- b. Liabilities for closure and post-closure of solid waste landfill sites addressed by PSAS 3270 (Solid Waste Landfill Closure and Post-Closure liability);
- c. Asset Retirement Obligations;
- d. Precautionary Measures;
- e. Contaminated Sites that are Non-Productive Sites for which The City does not accept responsibility; or
- f. Contaminated Sites that are Non-Productive Sites for which The City is not expected to forego Future Economic Benefits.

5. LEGISLATIVE AUTHORITY

- 5.1. The City of Calgary (The City) is required to present its annual financial statements in accordance with the Generally Accepted Accounting Principles (GAAP) established in the Chartered Professional Accountants (CPA) of Canada Public Sector. Fulfilling this requirement includes accounting for and reporting liabilities related to remediation and management of Contaminated Sites.
- 5.2. This administration policy is established in accordance to the Municipal Government Act (Alberta) Section 276 and the Environmental Protection and Enhancement Act (Alberta). This Act together with the regulations, guidelines, codes and standards established thereunder, establish the regulatory framework governing environmental standards and regulatory liability applicable to Contaminated Sites in Alberta.
- 5.3. Associated procedures are provided in the Supporting Procedures for the Administration Policy for PSAS 3260 Liability for Contaminated Sites.

6. ROLES AND RESPONSIBILITIES

- 6.1. Contaminated Sites Governance
 - 6.1.1. The Executive Leadership Team (“ELT”) is responsible for the oversight, governance of, and adherence to, this policy. The ELT may delegate, in whole or in part, this responsibility to any competent individual or group.
 - 6.1.2. The Chief Financial Officer (“CFO”) is the authority on all matters related to corporate financial accounting and reporting of the Reported Liabilities for Qualifying Contaminated Sites. The CFO may delegate, in whole or in part, to any competent individual or group, the authority to interpret this policy, resolve disputes and determine appropriate corporate financial reporting practices for Reported Liabilities.
 - 6.1.3. The Director of Environmental and Safety Management (hereinafter the Director) is the authority on all matters related to the site assessment work

plan, the Remediation of Contaminated Sites, and the estimation of Remediation Costs. The Director may delegate, in whole or in part, this responsibility to any competent individual or group.

6.1.4. The City Solicitor is the authority on all matters related to the assessment of Legal Liability for Contaminated Sites. The City Solicitor may delegate, in whole or in part, the responsibility for conducting Legal Liability assessments to any lawyer.

6.1.5. Finance and Environmental & Safety Management shall establish supporting procedures regarding the management and, respectively, the financial accounting and reporting of Contaminated Sites. All parties with responsibilities under this policy must adhere to these supporting procedures.

6.2. Business Units are responsible for:

- a. Funding the remediation of the Contaminated Sites if they have caused the Contamination; and
- b. Funding the remediation of Contaminated Sites if they are the stewards of the Contaminated Site and no business unit can be identified as having caused the Contamination.

6.3. Environmental & Safety Management is responsible for:

- a. Maintaining an up-to-date Site Information Management System database, within which all Contaminated Sites shall be recorded, with business unit responsibility assigned in accordance with Section 6.2;
- b. Maintaining the Contaminated Sites Inventory, and the provision of an annual list of known Contaminated Sites, including the estimated Remediation Costs for Qualifying Contaminated Sites and all necessary presentation and disclosure information, to Finance at minimum in May, September, and December each fiscal year;
- c. Providing advice and information regarding the management and Remediation of Contaminated Sites to the responsible business unit; and
- d. Implementing the remediation for PSAS 3260 Qualifying Contaminated Sites in accordance with this policy on behalf of the responsible business unit.

6.4. Finance is responsible for:

- a. Overseeing The City's compliance with this policy, including the presentation and disclosure of Reported Liabilities for Qualifying Contaminated Sites in The City's annual financial reports, in accordance with PSAS 3260.

6.5. Law Department is responsible for:

- a. Assessing The City's legal liability for Contaminated Sites as required. The Law Department will prepare a legal memorandum setting out a legal opinion as to whether The City is either directly responsible or accepts responsibility for the Contamination present in, on or under a Contaminated Site where:
 - i. The Contamination exceeds an Environmental Standard; and
 - ii. The Contaminated Site meets the qualifying conditions.
- b. Assessing the Legal Liability based upon a due diligence review of the Contaminated Site and a legal analysis of the law pertaining to the Contaminated Site and the Contamination.

7. CONSEQUENCES OF NON-COMPLIANCE

7.1. Failure to adhere to this policy and its supporting procedures may result in disciplinary action, up to and including termination of employment.

8. HISTORY

Policy Action	Date	Report Number	Description
New Policy	09/30/2016	ALT2016-0540	New policy approved by ALT
Minor Revision	10/01/2021		New template, minor revisions